

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6297

BILL NUMBER: HB 1024

NOTE PREPARED: Nov 21, 2003

BILL AMENDED:

SUBJECT: Industrial Recovery Tax Credit.

FIRST AUTHOR: Rep. Heim

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill reduces the minimum size required for a building to be eligible for the Industrial Recovery Tax Credit from 300,000 to 250,000 square feet.

Effective Date: July 1, 2004.

Explanation of State Expenditures: The Enterprise Zone Board, the Indiana Department of Commerce (IDOC), and the Department of State Revenue (DOR) could potentially incur some administrative expenses relating to the review and approval of additional Industrial Recovery Tax Credits.

Explanation of State Revenues: The bill could potentially increase the pool of industrial facilities eligible for the Industrial Recovery Site Tax Credit (IRTC). Depending upon designation of industrial recovery sites by the Enterprise Zone Board, the bill could potentially reduce revenue from the Adjusted Gross Income (AGI) Tax, Insurance Premiums Tax, and Financial Institutions Tax. Since the bill is effective beginning July 1, 2004, the fiscal impact could begin as early as FY 2005. However, the extent of this fiscal impact is indeterminable.

Background: The bill reduces the building size requirement from 300,000 to 250,000 square feet for eligibility under the IRTC. Under current law, a taxpayer is entitled to a credit against the Adjusted Gross Income, Insurance Premiums, or Financial Institutions Tax liability for "qualified investment" on an industrial recovery site. The building or buildings comprising the industrial recovery site must: (1) contain at least 300,000 interior square feet (under existing statute); (2) be at least 20 years old; and (3) have been at least 75% vacant for at least two years. Qualified investment may consist of expenditures by the taxpayer for rehabilitation (including remodeling, repair, or betterment of real property in any manner or any

enlargement or extension of real property, or the installation, repair, or retrofitting of personal property) located within an industrial recovery site under an approved plan by the Enterprise Zone Board.

The IRTC has been in effect since 1987 under P.L. 379-1987(ss). Since its inception, 29 tax credits have been awarded with a maximum value of about \$23.0 M. This is an average of about \$800,000 per credit awarded. The total investment in these projects equaled about \$104.9 M. Since 2000, only 3 tax credits have been awarded with a maximum value of about \$1.9 M and project investment totaling about \$10.1 M.

Revenue from the AGI Tax on corporations, the Insurance Premiums Tax, and the Financial Institutions Tax is distributed to the state General Fund. Eighty-six percent of the revenue from the AGI Tax on individuals is deposited in the state General Fund, and 14% of the revenue is deposited in the Property Tax Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Enterprise Zone Board, Indiana Department of Commerce, Department of State Revenue.

Local Agencies Affected:

Information Sources: Deanna J. Oware, Indiana Department of Commerce, Community Development Division, (317) 232-8917.

Fiscal Analyst: Jim Landers, 317-232-9869.